2010

MISSOURI ECONOMIC REPORT

MORE WITH MERIC
TIMELY TARGETED INTELLIGENT

MISSOURI
Department of Economic Development

Introduction

Missouri is in the midst of recovery, but it may be slow and uncertain.

The past year has been marked by improvement in the U.S. and Missouri economies, but sustained strong labor market improvement has yet to be firmly established. There also continue to be economic concerns that make it more difficult to know what developments will occur in upcoming months.

Although the recession is often viewed as monolithic and continuing, there has been substantial variation over the course of the recession. Further, by GDP and other measures, the recession probably ended last year. No formal determination has been made, which is not unusual. The dating of business cycle peaks and troughs by the Business Cycle Dating Committee of the National Bureau of Economic Research is often delayed, to give the committee time to determine that a real peak or trough has occurred. In the current case, the committee could be waiting to make sure that the economy, now feeling the effect of European fiscal woes, does not slip back into recession.

The recession began in December 2007, and its early part was mild. There was a modest decrease in GDP in the first quarter of 2008, but both the 4th quarter of 2007 and the 2nd quarter of 2009 experienced GDP growth.

Employment losses were moderate initially. The U.S. averaged only a 33,000 decrease per month in the 1st quarter of 2008. These losses picked up starting in April 2008, but were still moderate compared to what was to come: 233,000 per month in the five months ending in August. Missouri job losses were also moderate to start, averaging 3,000 per month in the March-September period. (Missouri employment had peaked in February, two months after the U.S. peak. Throughout this comparison, Missouri employment developments lagged national change by about two months.)

The recession became severe in the fall of 2008, triggered by the collapse of major financial firms and the ensuing financial crisis. Following this development, companies in most sectors of the economy began to cut production and employment aggressively and to take other actions to save their companies from the fate that had already affected the housing and financial industries. Job losses quickly spread through almost all sectors.

These losses accelerated sharply in the fall of 2008. U.S. cuts averaged 667,000 per month in the period September 2008 to March 2009. Missouri losses followed suit, with a two-month lag. From November 2008 to May 2009, state decreases averaged 13,200 jobs per month. About 56 percent of all U.S. job losses associated with the recession (between December 2007 and December 2009) occurred in that seven-month period. In Missouri, 61 percent of job losses period occurred in its worst seven-month span.

By the spring of 2009, economic conditions began to moderate. Whether this was the result of government actions or simply because the worst of the recession had run its course is not known. GDP decreased at only a 0.7 percent annual rate in the 2nd quarter of 2009. Employment losses slackened. In the U.S. net decreases averaged 348,000 per month in the April to October 2009 period, while Missouri cuts ran at an average monthly rate of 5,000 in the June 2009 to January 2010 period.

Highlights:

• Unemployment rates began to stabilize late in 2009. Missouri's rate reached 9.7 percent in a four-month period from July to October and has subsequently edged downward. The Missouri rate has been slightly below the U.S. figure for the past nine months.

• As the economy began to stabilize in the latter part of 2009, net job losses began to decrease around the middle of the year and essentially ended by year-end. Missouri payrolls added 26,000 jobs in the four months ending in May.

• In May 2010, there were 249,400 manufacturing jobs in the state, a decrease of 4,800, or 1.9 percent from a year ago. Like the national trend, Missouri manufacturing employment has stabilized since the start of 2010.

• Comparing May 2010 to May 2009, four industry groupings have had employment increases in Missouri. Most of the gains in government have been at the federal level, including temporary census workers. Private education and health services employment increased by 6,100, and the leisure and hospitality industry is up 5,700 over the year.

• Personal income growth resumed in Missouri and the U.S. in the first quarter of 2010. However, that increase was supported by transfer payments and volatile farm income.

• Consumer sentiment indices have shown some improvement in consumer confidence, but consumers are expected to remain cautious with spending, as the economic recovery will likely be slow.

Table of Contents

A look back at the economic trends of 2000-2010 decade

Placing the current economy into context can benefit from a review of the first decade of the 21st century, which was a rather turbulent one in many regards. The economy had come off a long period of sustained growth in the 1990's. As 2000 began, the economy was slowing, with irregular growth from quarter to quarter.

The economy entered a recession in March 2001. It was a short, mild one, ending in November, with moderate GDP decreases in the 1st and 3rd quarters. By the 4th quarter, GDP had reached a new high.

The picture changed on September 11, 2001 with the coordinated terrorist attacks. The shock to the overall economy was, fortunately, short-lived, not sending it back into recession. However, travel and tourism industries, especially airlines, were hard-hit. A number of airlines, already in a weakened condition, were forced into bankruptcy and consolidation. Arguably, the effects are still haunting the airlines. Subsequent developments, including the recession and other terrorism scares, have hurt these industries as well.

Even though the recession was over, employment continued to edge down until 2003, running along the bottom of a U-shaped curve in the first half of that year. Employment growth finally resumed in the summer of 2003.

A long period of fairly strong growth ensued. GDP, which had been growing since late 2001, increased by more than 10 percent in the three years ending in the 2nd quarter of 2006. Nonfarm payrolls added 6.5 million jobs in the U.S. and 97,000 in Missouri over a similar period. Unemployment rates continued downward, bottoming out at 4.6 percent in Missouri and 4.4 percent in the U.S. in the 2006-2007 period.

GDP growth slowed in the 2nd quarter of 2006 but recovered somewhat in 2007, reducing fears of a recession at that time. Employment growth followed a similar pattern. In 2007, the subprime housing meltdown began to take more of a toll. Although there was net employment growth during 2007, Missouri actually experienced more months of loss than of gain during the year: seven months of losses, five months of gain.

In 2008, rising gas prices peaked and GDP turned negative by the first quarter of the year. U.S. employment growth peaked in December 2007 (Missouri employment two months later), and December was declared the peak (end of expansion/beginning of recession) by the Business Cycle Dating Committee of the National Bureau of Economic Research.

The remainder of the decade was consumed by recession.

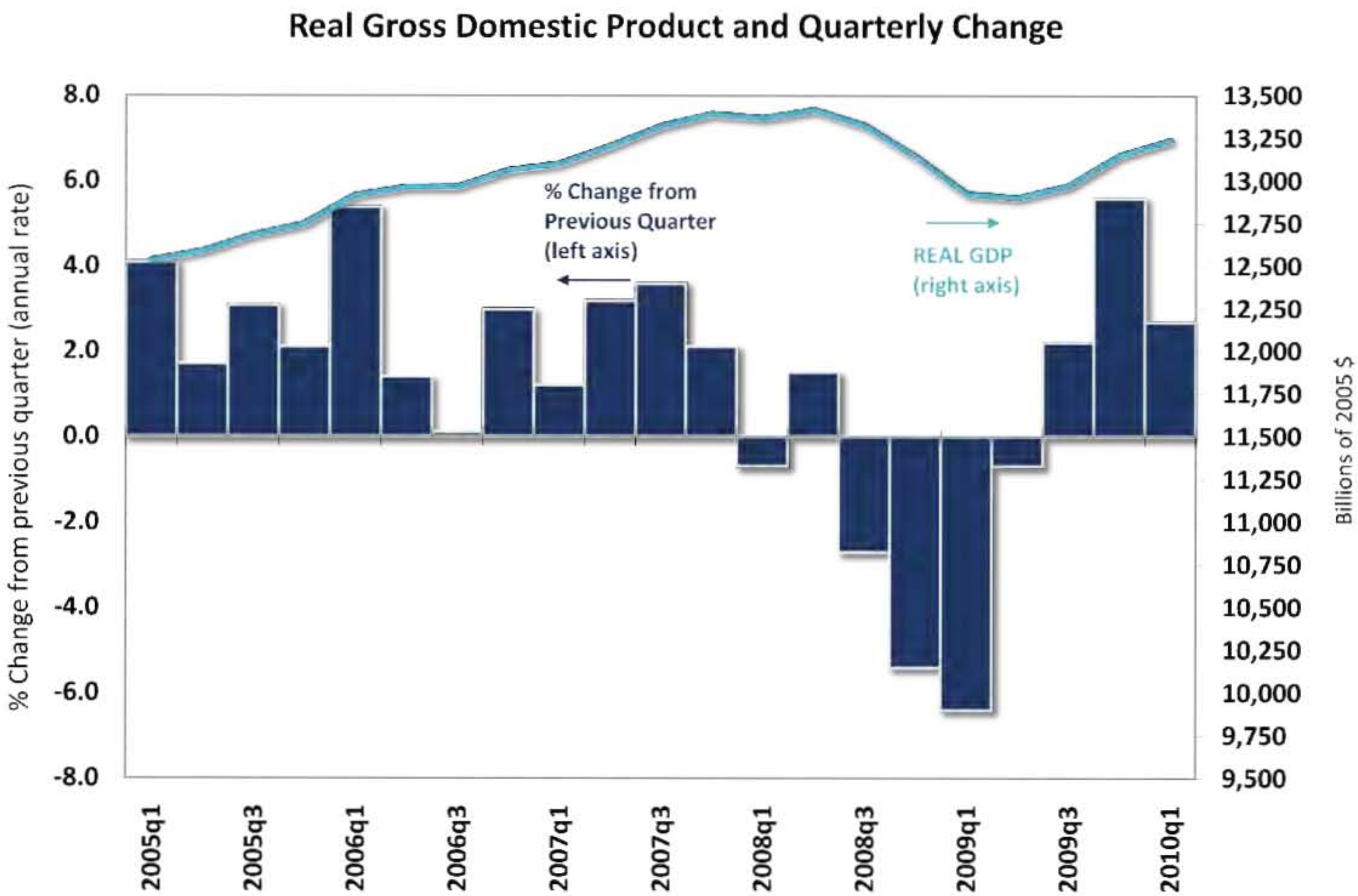
Gross Domestic Product

Gross Domestic Product (GDP) is the broadest measure of economic conditions.

National

Gross Domestic Product (GDP) is the broadest measure of economic activity. It is also the measure that is most indicative of whether the economy is in recession. In the post-World War II period, there has been no recession in which GDP did not decrease in at least two quarters. (There were recessions, however, in which these quarters were not consecutive: 1960-61 and 2001.)

Following five quarters of decreasing GDP (four of them consecutive), the economy bottomed out in the middle of 2009 and resumed growth in third quarter. According to 1st quarter 2010 estimates, GDP expanded at a 2.7 percent annual rate to start the year, after a 5.6 percent jump in the 4th quarter of 2009.



Two-thirds of the GDP lost in the recession has already been recovered in those three quarters of growth. With even modest growth over the remainder of the year, GDP will reach a new high level by the end of 2010.

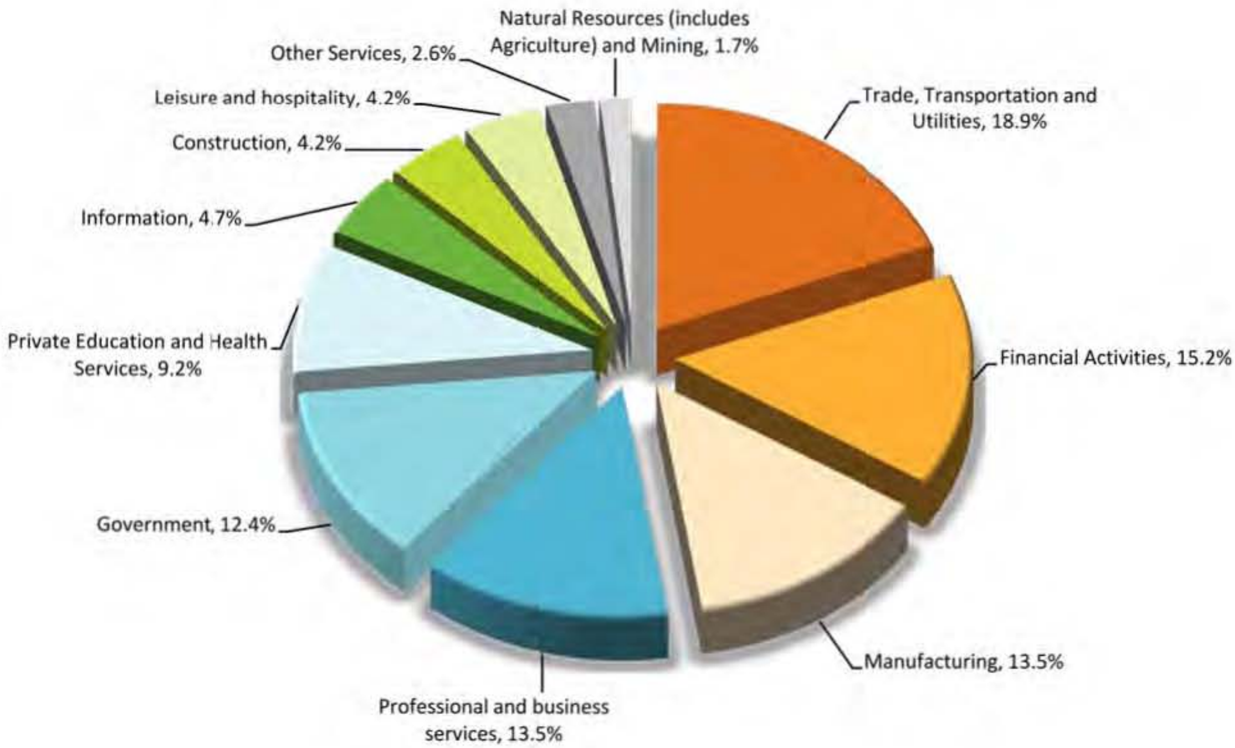
Missouri

Missouri's economy typically follows a similar trend to that of the U.S. Availability of state GDP data lags behind national data, and state data is only available on an annual basis. As a result, it is not a good indicator of current economic conditions and does not fully reflect the recent changes in Missouri's economic climate. However, it is still valuable to understand what industries are the largest contributors to Missouri's economy.

Missouri's GDP totaled over $238 billion in 2008 according to advance estimates, an increase in real dollars of 1.3 percent from 2007. The trade, transportation and utilities sector makes up the largest portion of Missouri's economic output, followed by financial activities, manufacturing, and professional and business services.

Since 2003, professional and business services, government, and educational and health services have had the largest gain in share of the state's economic makeup, while manufacturing and financial activities have had the largest declines in share.

Industry Share of Missouri's Economy
(by percentage of Gross Domestic Product, 2008)



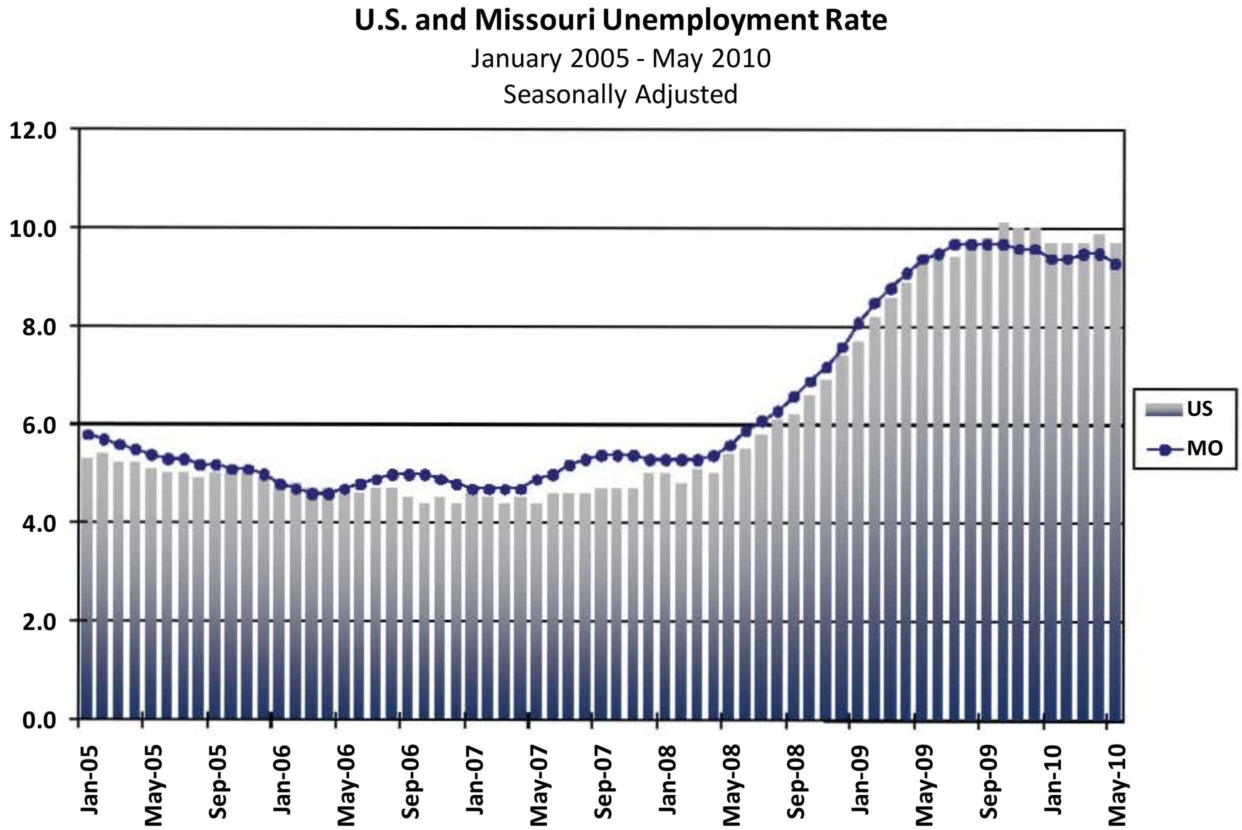
Unemployment Rate

The unemployment rate measures the percentage of people in the state who are without work.

After sharp run-ups in unemployment in 2008 and much of 2009, rates began to stabilize late in 2009. The U.S. rate reached 10.1 percent in October 2009 and then began to recede. Missouri's rate reached 9.7 percent in a four-month period from July to October and has subsequently edged downward. The Missouri rate has been slightly below the U.S. figure for the past nine months.

These developments have been a little surprising, in that unemployment is often a lagging indicator, continuing to rise for a period after overall economic and employment growth resume. So far, the rates have not reached quite as high as widely predicted or remained there for as long as expected.

Still, the rates are high by historical standards and are likely to remain so for some time, even with substantial economic growth.



Understanding Unemployment Rates

The unemployment rate is calculated by dividing the estimated number of unemployed people in the state by the civilian labor force. The result expresses unemployment as a percentage of the labor force. Labor force and unemployment estimates for states come from a cooperative statistical program between the U.S. Department of Labor's Bureau of Labor Statistics (BLS) and the various states. (MERIC is the BLS affiliate in Missouri.) State data are developed using statistical models. The inputs to these models include monthly state-specific data from the Current Population Survey (CPS – a nationwide survey of households), Current Employment Statistics program (CES – survey of employers), and claims data from the unemployment insurance system.

Employment

Payroll Employment measures the number of jobs in the state. The number of jobs and the industries that create those jobs are indicators of a state's economic health.

Nonfarm payroll employment measures the number of jobs in the state. The number of jobs and the industries that create those jobs are important indicators of a state's economic health. Payroll employment is one of the most current and reliable indicators of economic conditions and recessionary trends.

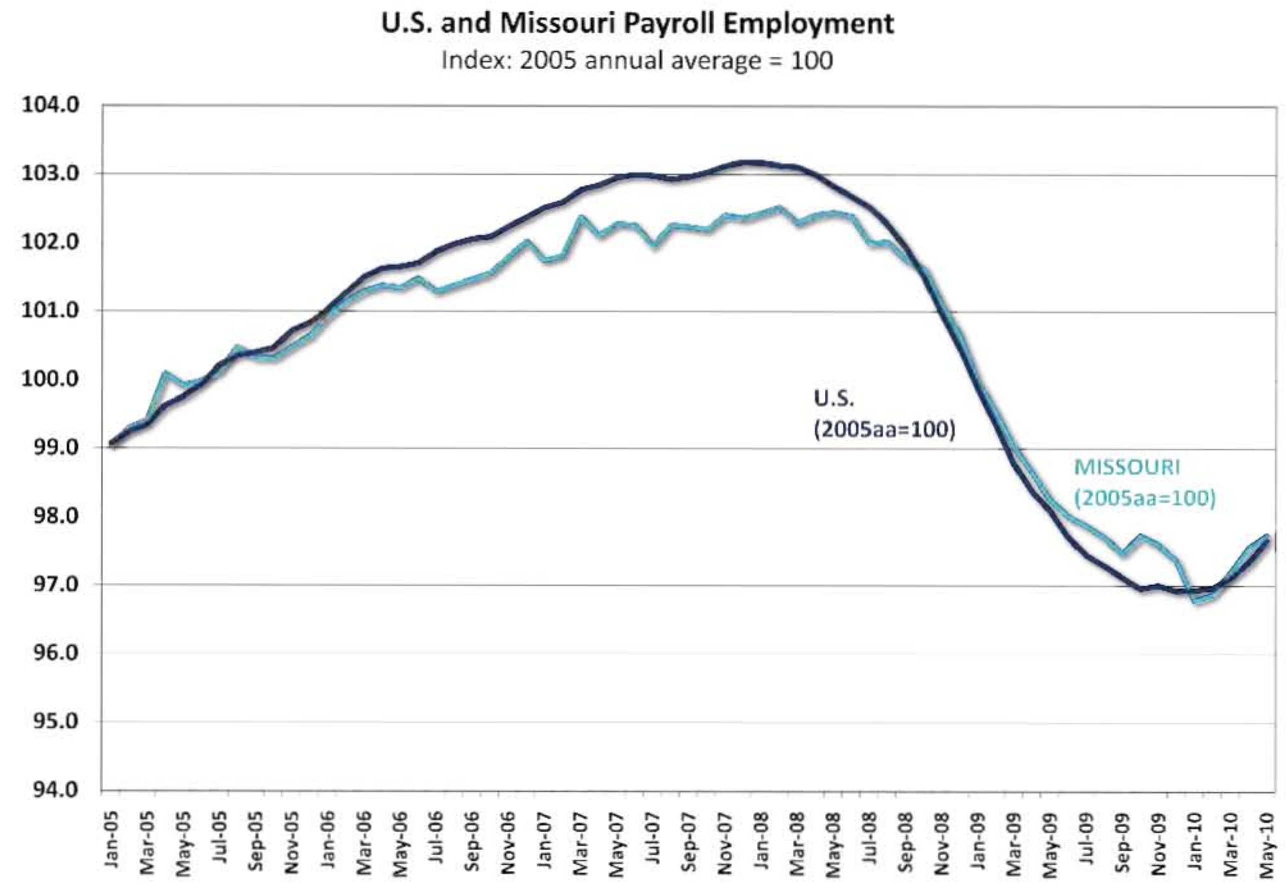
As the economy began to stabilize in the latter part of 2009, net job losses began to decrease mid-year and essentially ended by year-end.

In the U.S., employment has grown by 968,000 jobs in the five most recent months ending in May, while Missouri payrolls added 26,000 jobs in the four months ending in May. (Note that the turn-around in Missouri employment lagged the U.S. by one month.) May itself was not a strong month, with essentially all the net job growth being the result of temporary Census workers hired to follow-up households that had not mailed census forms back. It is not that unusual for employment growth to move irregularly from month to month. As with many economic measures, trends are usually better discerned by following developments over a period of several months.

GDP is on track to surpass pre-recession levels by the end of this year. At the same time, employment has only recently begun to increase and not dramatically so, leading many to consider the economy still in recession.

Regaining pre-recession levels of employment is likely years away, and unemployment will remain high for a prolonged period. How has economic growth resumed without much employment growth? The answer lies mostly in productivity. But as easier productivity gains become exhausted and companies ramp up production to meet rising demand, employers will need to take other steps. Likely, hours of employment will be increased, then temporary workers added, and finally permanent workers hired.

"The huge difference between the recent behavior of output and employment reflects the unprecedented growth of productivity in 2009."
NBER Reporter, 2010 Number 1

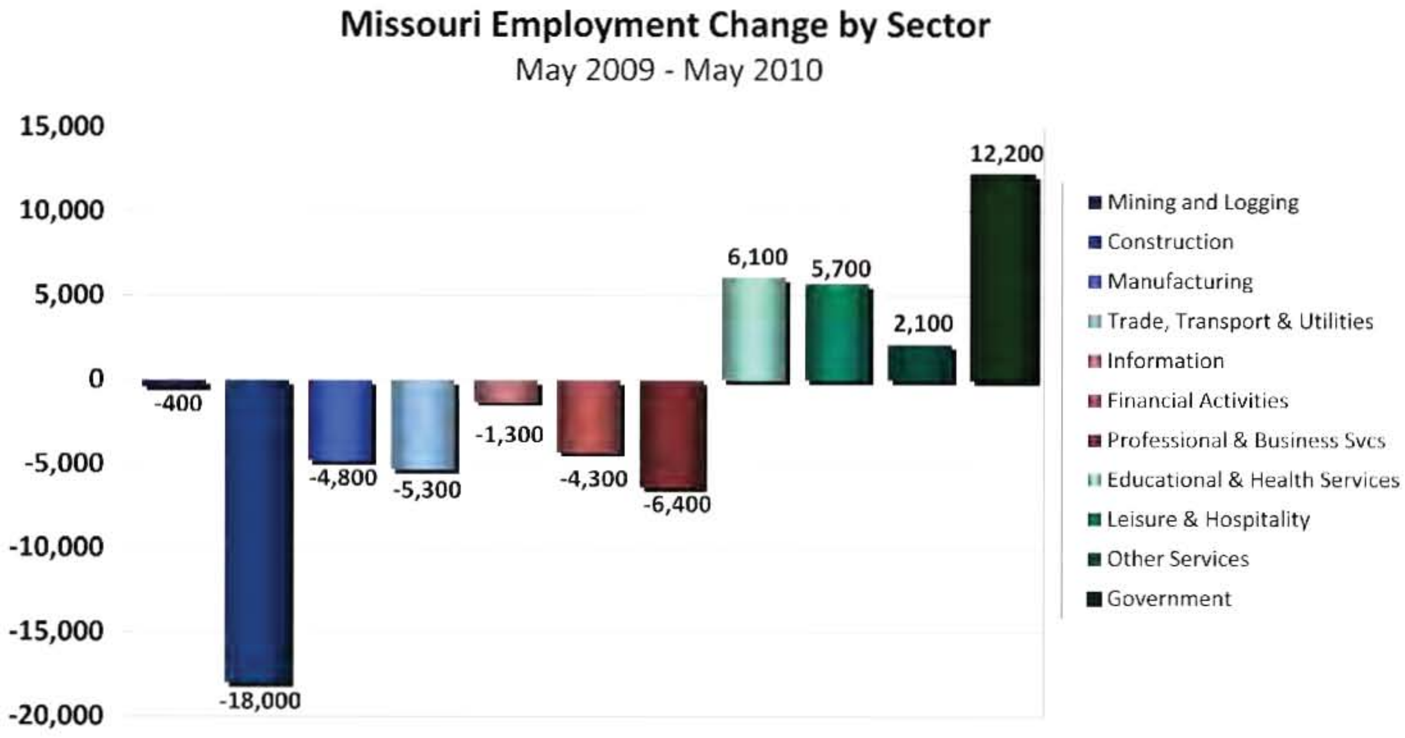


U.S. and Missouri Payroll Employment
Index: 2005 annual average = 100
104.0
103.0
102.0
101.0
100.0
99.0
98.0
97.0
96.0
95.0
94.0
U.S.
(2005aa=100)
MISSOURI
(2005aa=100)
Jan-05
Mar-05
May-05
Jul-05
Sep-05
Nov-05
Jan-06
Mar-06
May-06
Jul-06
Sep-06
Nov-06
Jan-07
Mar-07
May-07
Jul-07
Sep-07
Nov-07
Jan-08
Mar-08
May-08
Jul-08
Sep-08
Nov-08
Jan-09
Mar-09
May-09
Jul-09
Sep-09
Nov-09
Jan-10
Mar-10
May-10

Employment Change by Industry

Employment growth by industry identifies the types of jobs being created in the state. On the other side of the ledger, industries with decreasing trend employment indicate those which are becoming less present in the state's economy. There may also be industries which behave more cyclically, growing during expansion and decreasing in times of economic slowdown or contraction. These changes are crucial in that they help identify the types of jobs being lost by individuals. Anticipating what will happen in recovery helps identify whether those jobs will return or what types of new jobs will be created. Thus key information for planning re-employment, retraining, and other workforce and economic development programs is contained within these data.

Comparing May 2010 to May 2009, four industry groupings have had employment increases in Missouri. Most of the gains in government have been at the federal level, including temporary census workers. Private education and health services employment increased by 6,100, and the leisure and hospitality industry is up 5,700 over the year. Construction employment declined by 18,000 from May 2009 to May 2010, reflecting continuing weakness in housing-related sectors. Professional and business services; trade, transportation and utilities; manufacturing; and financial activities have had the largest declines compared to 2009.

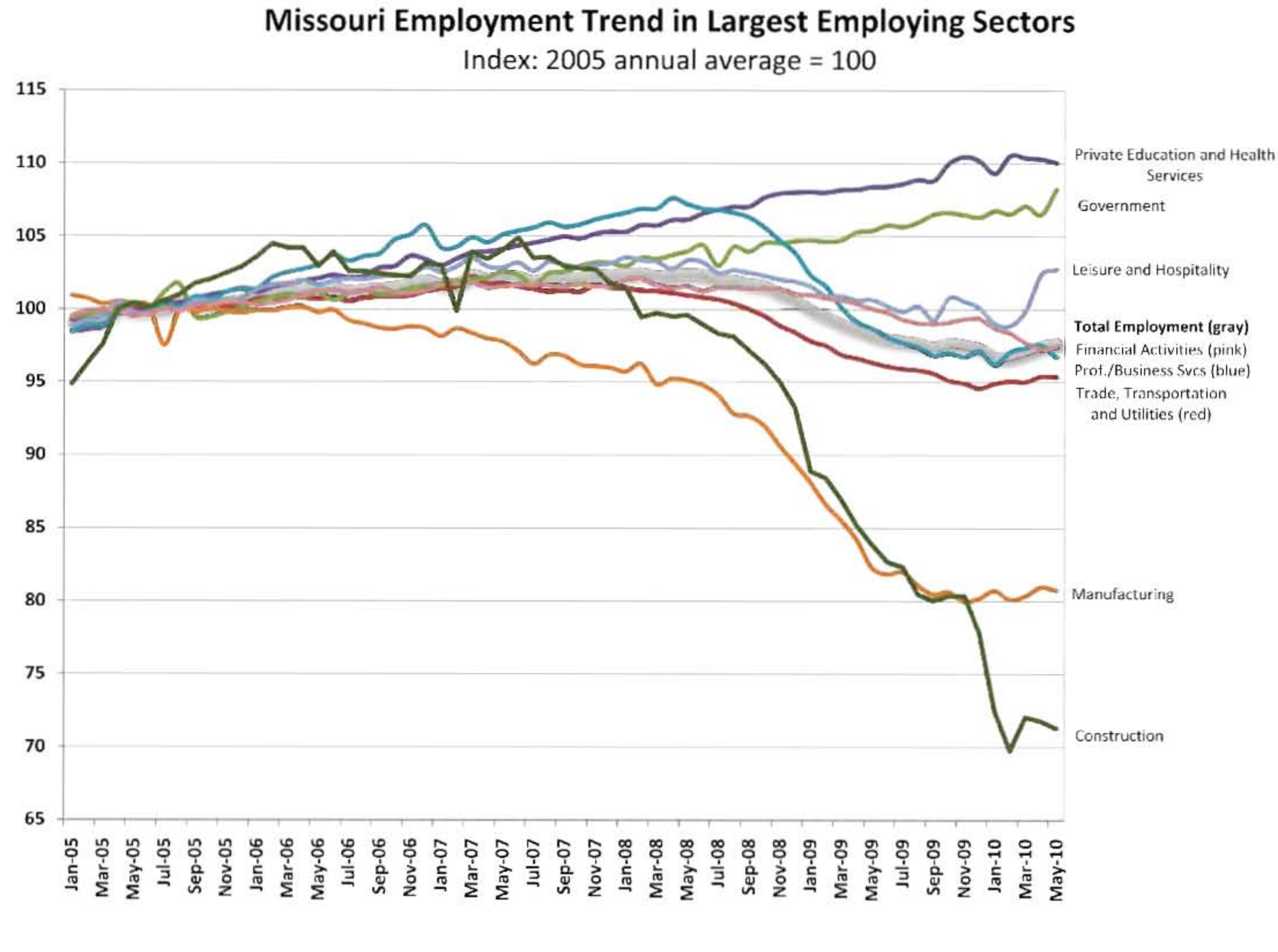


Industry Employment Trends

Reviewing the trend of employment in industries reveals ongoing declines, such as in manufacturing, and the magnitude of declines of industries particularly hard hit by the recession, like construction, as well as highlighting emerging trends as the economy begins to improve.

Manufacturing employment has been trending downward for a long time, but growth in the service-producing sectors had been sufficient to lead to good overall job growth. As the subprime mortgage situation began to spread, housing- related industries such as construction and financial activities started to lose jobs, with construction being particularly hard hit during the recession. As the slowdown started to spread further through the economy, growth started to slow in other industries, eventually turning negative in some.

Industries were affected by the recession at different times. The housing bubble and start of the national recession resulted in construction losses first, followed by trade, transportation and utilities and financial activities. Recent months have seen growth in several large industries, such as leisure and hospitality and improvement in trade, transportation, and utilities.



Personal Income

Beyond employment and unemployment, income is another important measure of economic success.

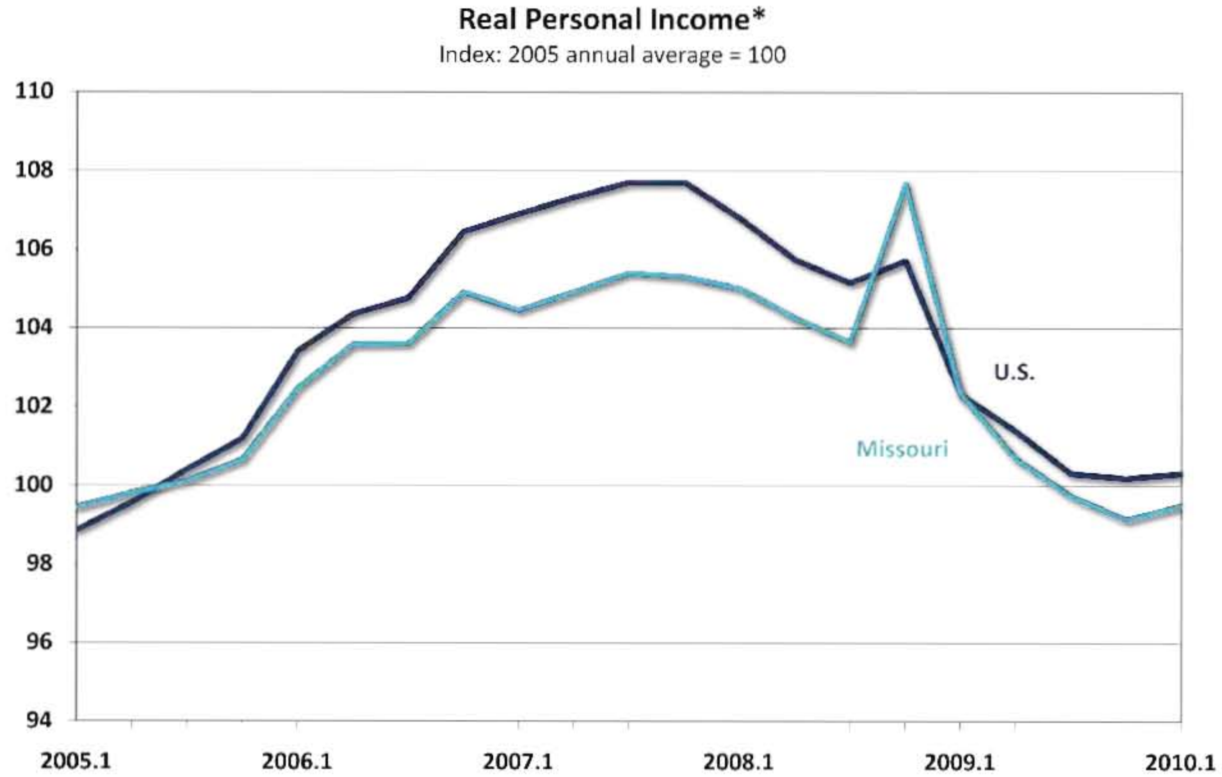
Beyond employment and unemployment, income is another important measure of the state of the economy.

Personal income is a broad measure of economic activity and one for which relatively current data are available. Personal income includes earnings; property income such as dividends, interest, and rent; and transfer payments, such as retirement, unemployment insurance, and various other benefit payments. It is a measure of income that is available for spending and is seen as an indicator of the economic well-being of the residents of a state. Earnings and wages make up the largest portion of personal income.

Preliminary first quarter 2010 data show a good increase in real personal income in Missouri and the U.S., the best since the 2nd quarter of 2008. Furthermore, Missouri's rate of growth outstripped the U.S. However, the majority of the gains in both areas came from transfer payments. Missouri's relatively good performance especially depended on an increase in farm income, a relatively volatile source of personal income.

To facilitate an analysis based on earnings and income changes, transfer payments have been removed from the chart below, a procedure sometimes used by business cycle analysts.

To show the vastly different levels of total personal income for the U.S. and Missouri on the same chart, these data have been converted to index numbers. This chart shows a comparison of Missouri and U.S. growth in real personal income, excluding transfer payments, with the year 2005 as the base year.



*Less transfer payments. 2005 dollars.

Manufacturing and Industrial Vitality

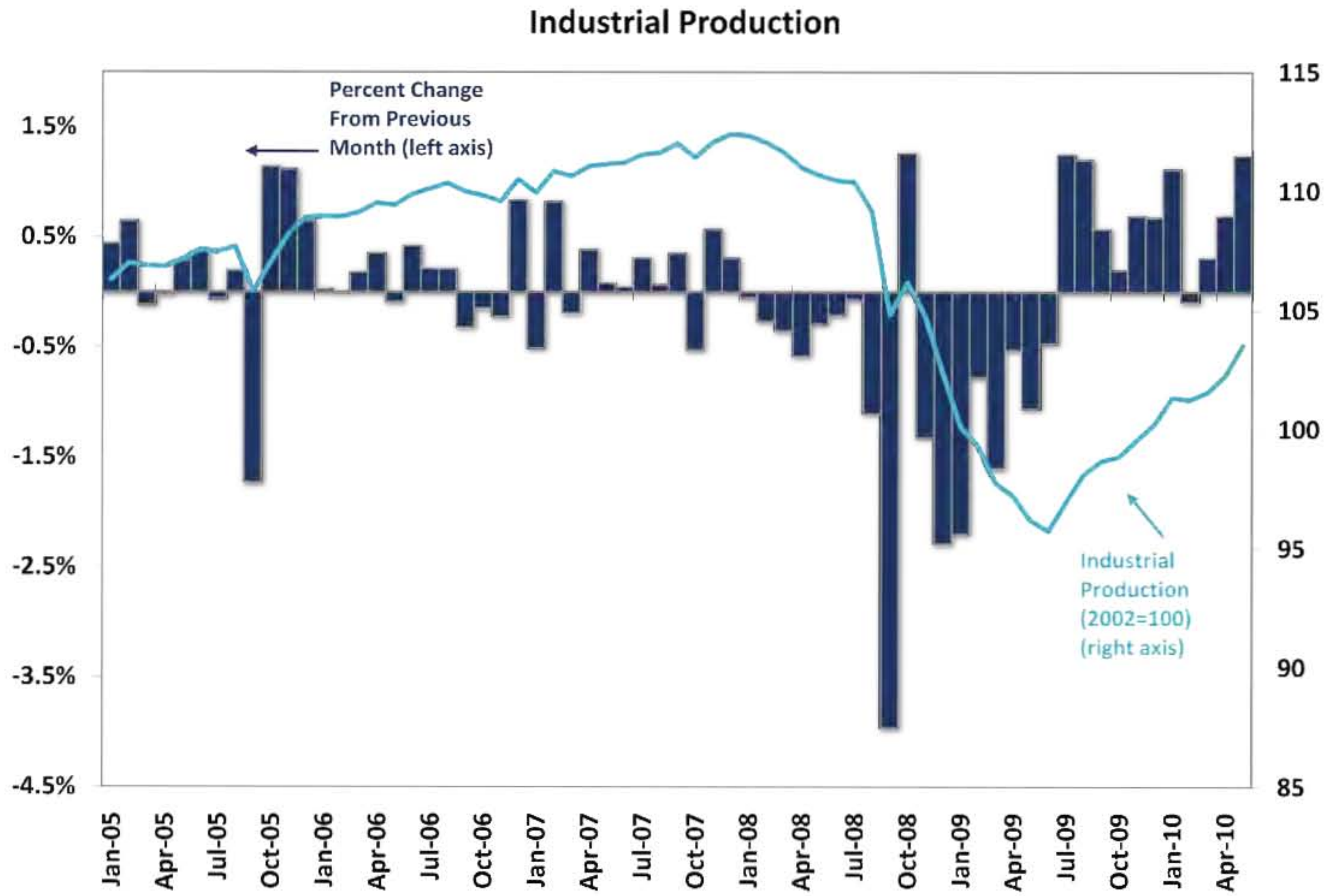
Manufacturing and production are still important parts of both the U.S. and Missouri economies.

Manufacturing and production are still important parts of both the U.S. and Missouri economies and were seriously affected by the recession. Signs of improvement in production and manufacturing are encouraging for economic recovery.

At one time, manufacturing made up 38 percent of the nation's employment. However, manufacturing employment in the United States has been declining since 1979, as productivity, technology gains, and the transfer of manufacturing to locations outside the United States have reduced the demand for traditional manufacturing employment.

Industrial production in the U.S. is a measure closely linked to the strength of the manufacturing sector. As a whole, industrial production was growing from April 2003 to mid-2007. Industrial production was flat through the end of 2007, and declined in all but one month from January 2008 to June 2009. However, industrial production has turned around, growing in 10 of the last 11 months, with a strong 1.2 percent increase in May 2010.

Manufacturing employment should move somewhat consistently with industrial production, but there are some inconsistencies between increased production and rising employment. In particular, productivity gains have made it possible for manufacturers to increase output while holding employment constant or even shedding jobs.



Manufacturing Employment

Manufacturing employment had stabilized in the middle of the 2000-2010 decade, following sharp decreases in the 2001 recession and its aftermath. Employment turned down again as the economy slowed in 2006 and 2007.

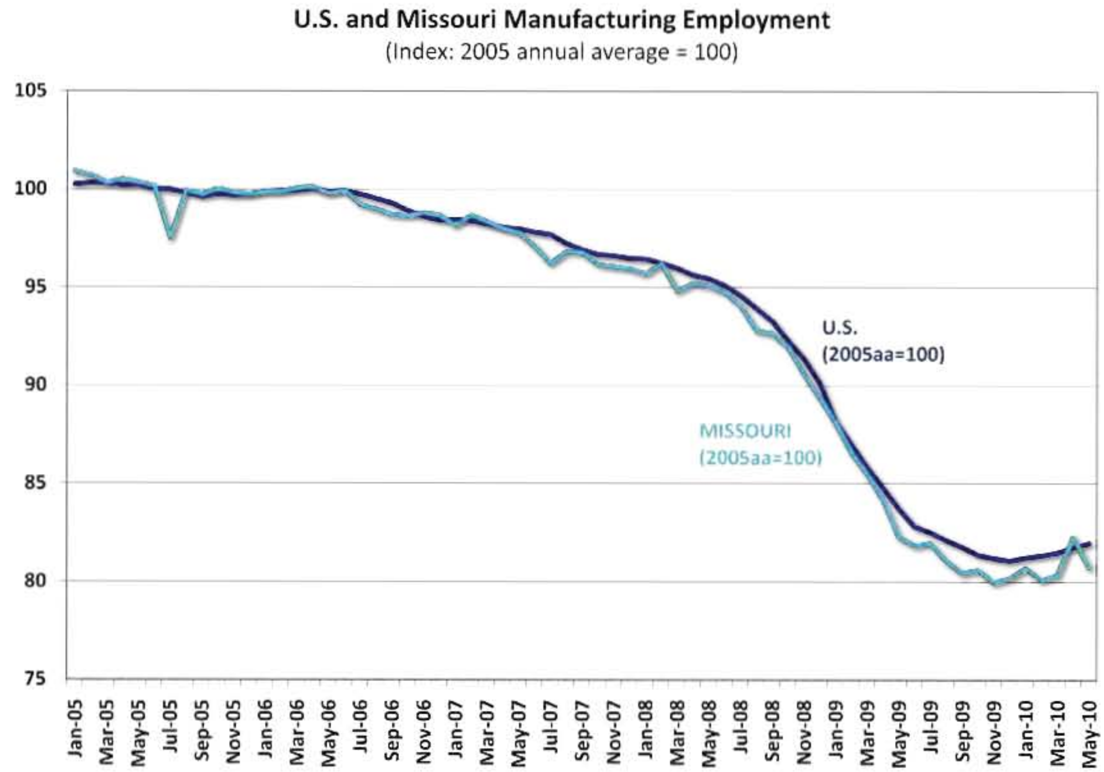
It was not until the middle of 2008 that factory job losses became severe. Manufacturers cut back production sharply. Bankruptcies and reorganizations took a further toll. The automobile industry, long a mainstay in Missouri, was particularly hard hit. With the closing of the two Chrysler plants in the St. Louis area, only two assembly plants were left in the state: a GM plant in the St. Louis area and a Ford plant in the Kansas City area. Many suppliers to the automobile plants were also hurt.

Nearly 1.5 million jobs were lost, on balance, in the U.S. manufacturing sector in the nine months ending in June 2009. Missouri net losses were 33,000 in the same period.

Factory job losses began to moderate in June 2009, and employment actually began to increase at the beginning of 2010. Compared to May 2009, U.S. manufacturing employment is still down by just over 250,000 jobs, or 2.1 percent. However, since the start of 2010, national manufacturing employment is up by 104,000 or 0.9 percent.

Missouri manufacturing has faced similar trends. In May 2010, there were 249,400 manufacturing jobs in the state, a decrease of 4,800, or 1.9 percent from a year ago. Like the national trend, Missouri manufacturing employment has stabilized since the start of 2010.

Although recovery from recession can be expected in a number of manufacturing industries, others where permanent plant closings or other significant restructuring took place are not expected to show growth. The long-term decrease in manufacturing employment, even when output increases, is expected to continue.



Purchasing Managers' Index

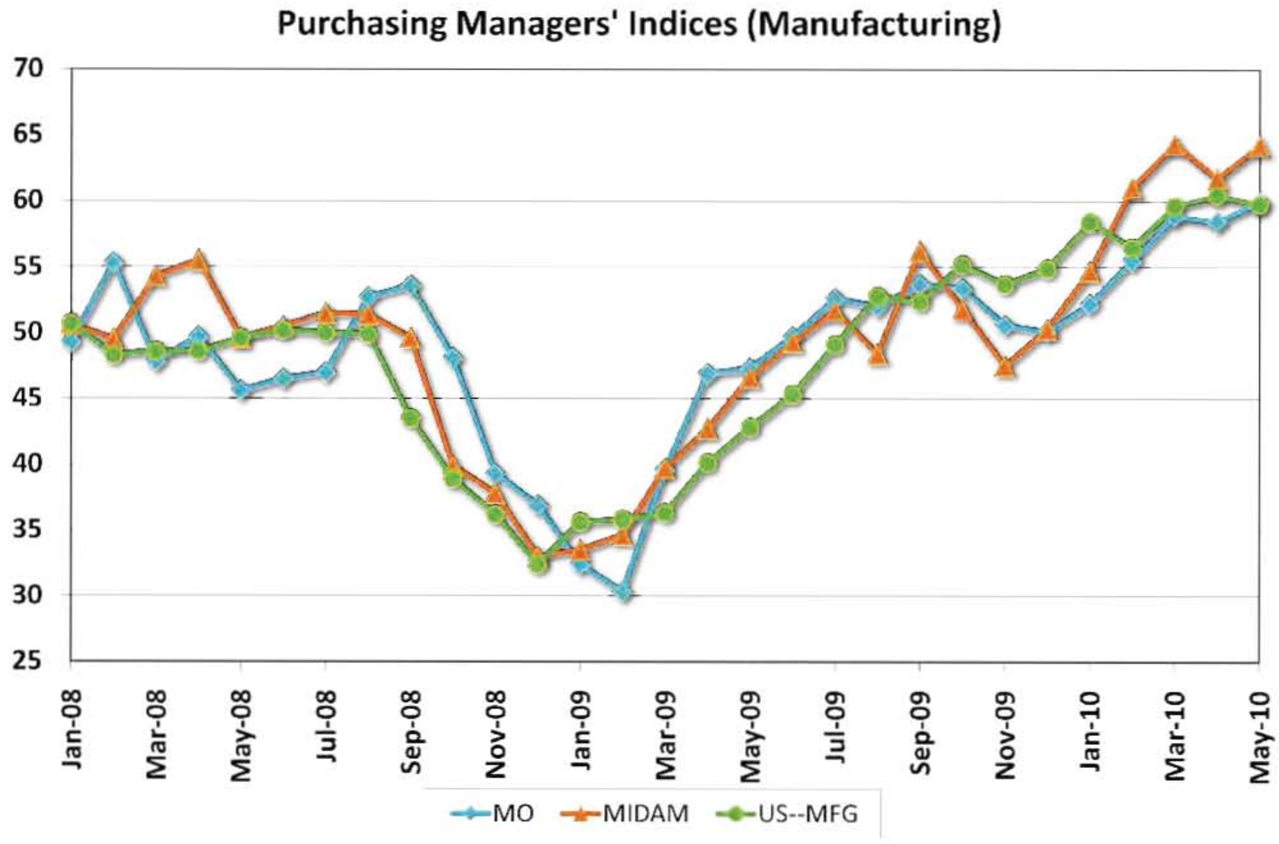
Economists consider the Purchasing Managers' Index (PMI), which measures such factors as new orders, production, supplier delivery times, backlogs, inventories, prices, employment, import orders and exports, a key economic indicator. Typically, a score greater than 50 indicates an expansionary economy, while a score below 50 forecasts a sluggish economy for the next three to six months.

PMI has been improving at the national, regional and state level since bottoming out in late-2009.

The national PMI for manufacturing industries decreased slightly by 0.7 points in May to 59.7, but the overall index continues to trend upward. Sub indices of employment (59.8) and order backlogs (59.5) were the biggest gainers over the month.

Missouri's PMI has been above the expansionary level for 11 consecutive months. The state's score increased by 1.5 points in May, according to the monthly Mid-American Business Conditions Survey, conducted by Creighton University, Omaha, NE. The state's PMI score increased to 59.9 from 58.4 in April, with gains in new orders (64.1), production (65.8), and inventories (59.0).

Overall, the average for the Mid-America Region increased in May to 64.2 from 61.7 in April.



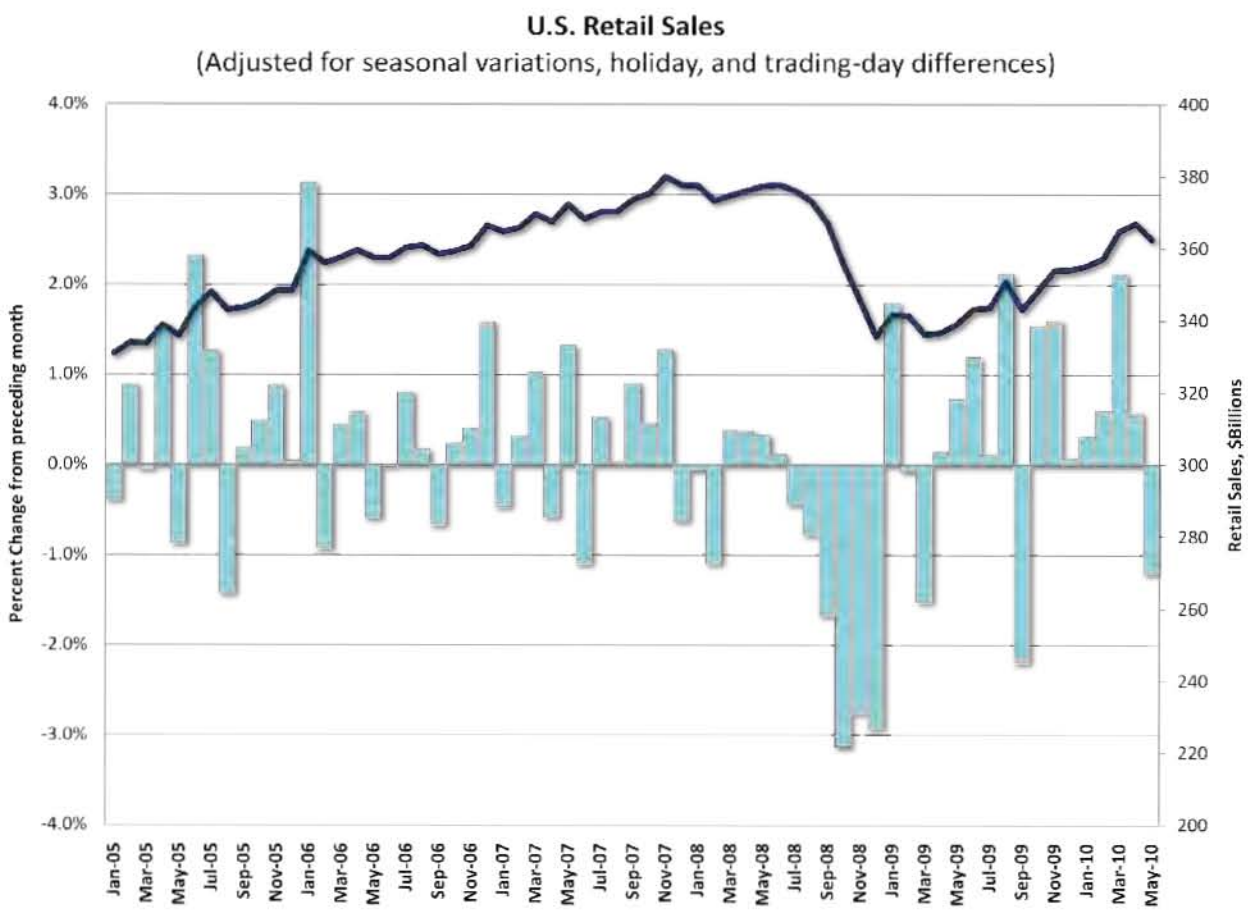
Retail Trade and Taxable Sales

Consumer spending accounts for two-thirds of the U.S. economy, and is likewise, essential to Missouri's economy.

Consumer spending accounts for two-thirds of the U.S. economy, and is likewise, essential to Missouri's economy. Retail sales account for around one-half of consumer spending.

National retail sales data are prone to fluctuations, but provide an important view on changes in consumer spending. There have been considerable swings in retail trade since the end of 2001, but retail sales have generally been increasing since 2003. Retail sales turned flat around the end of 2007 and began to fall from the middle of 2008 through the end of the year. Despite an unexpected drop in May 2010, retail sales in the U.S. have been trending upward at a modest rate since the first quarter of 2009.

Consumer sentiment indices have shown some improvement in consumer confidence and expectations in regard to the economy, which is typically reflected in spending patterns. However, consumers are expected to remain cautious with spending, as the economic recovery will likely be slow.

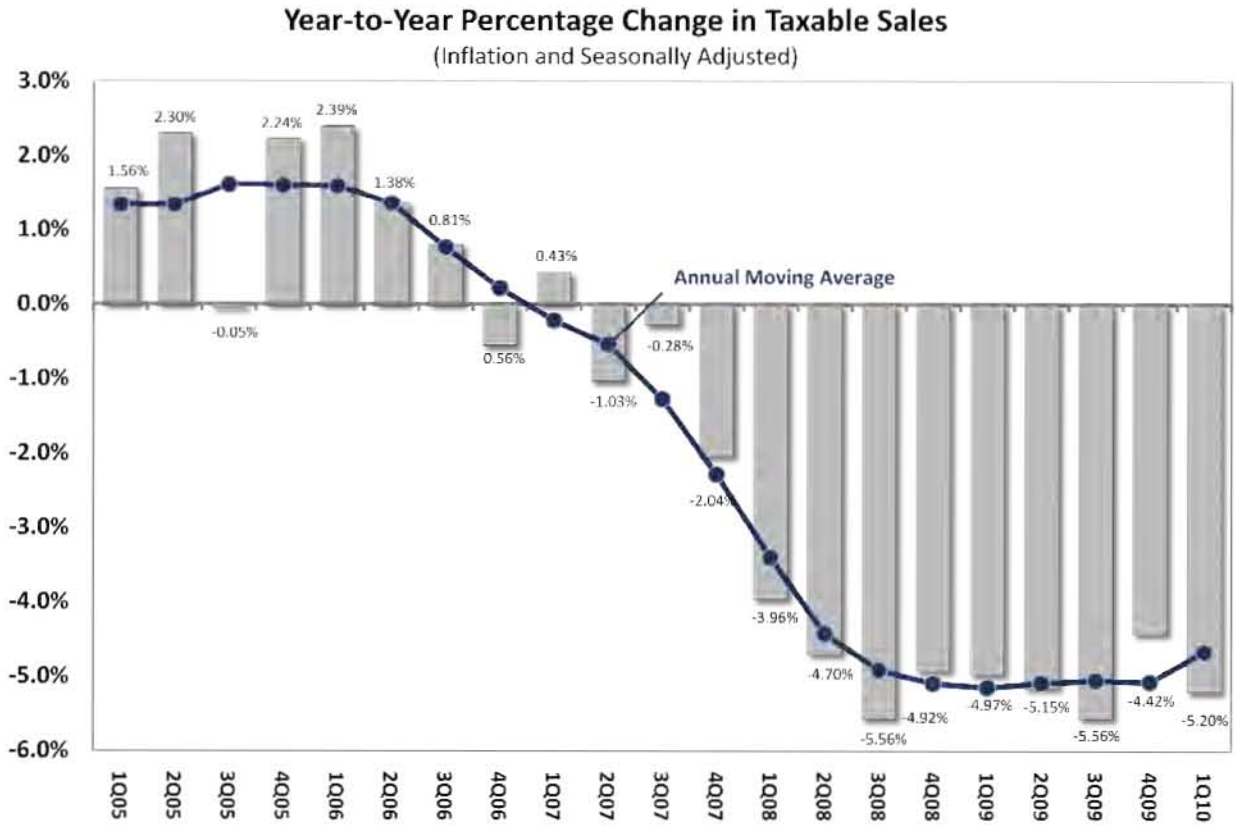


Missouri Taxable Sales

Although no specific retail sales data are readily available for Missouri, total taxable sales as measured by the Missouri Department of Revenue (DOR) can serve as a proxy measure. Retail sales account for approximately 65 percent of taxable sales in Missouri, with an additional 10 percent from wholesale trade, 10 percent from service industries such as hotels and amusement parks, 10 percent from communications industries, and 5 percent from other industries.

The Missouri Department of Revenue has released preliminary taxable sales estimates for the 1st quarter of 2010. During that quarter, approximately $16.8 billion in taxable sales occurred in the state, a decrease of 2.97 percent in actual dollars from the same quarter of 2009.

Analysis by MERIC shows that if seasonal and inflationary effects are removed from the data, real year-to-year changes in taxable sales during the 1st quarter of 2010 was -5.20 percent.



Regional Economies

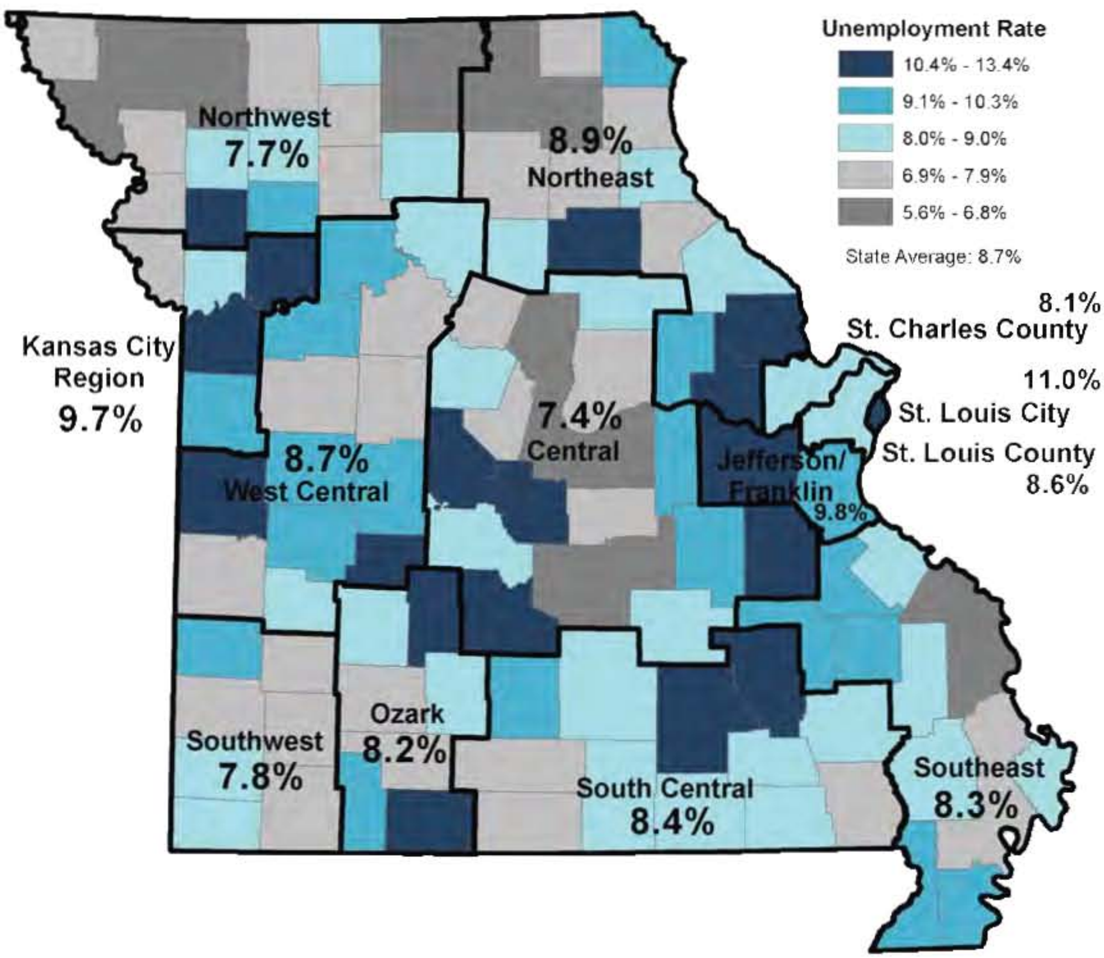
Missouri's economy is complicated and diverse. The state itself is home to many smaller and distinct economies.

Missouri can be divided into several multi-county regions, including Metropolitan Statistical Areas (MSAs) and Workforce Investment Areas (WIAs). It is useful to analyze these regional economies to determine the different strengths and advantages each bring to the state.

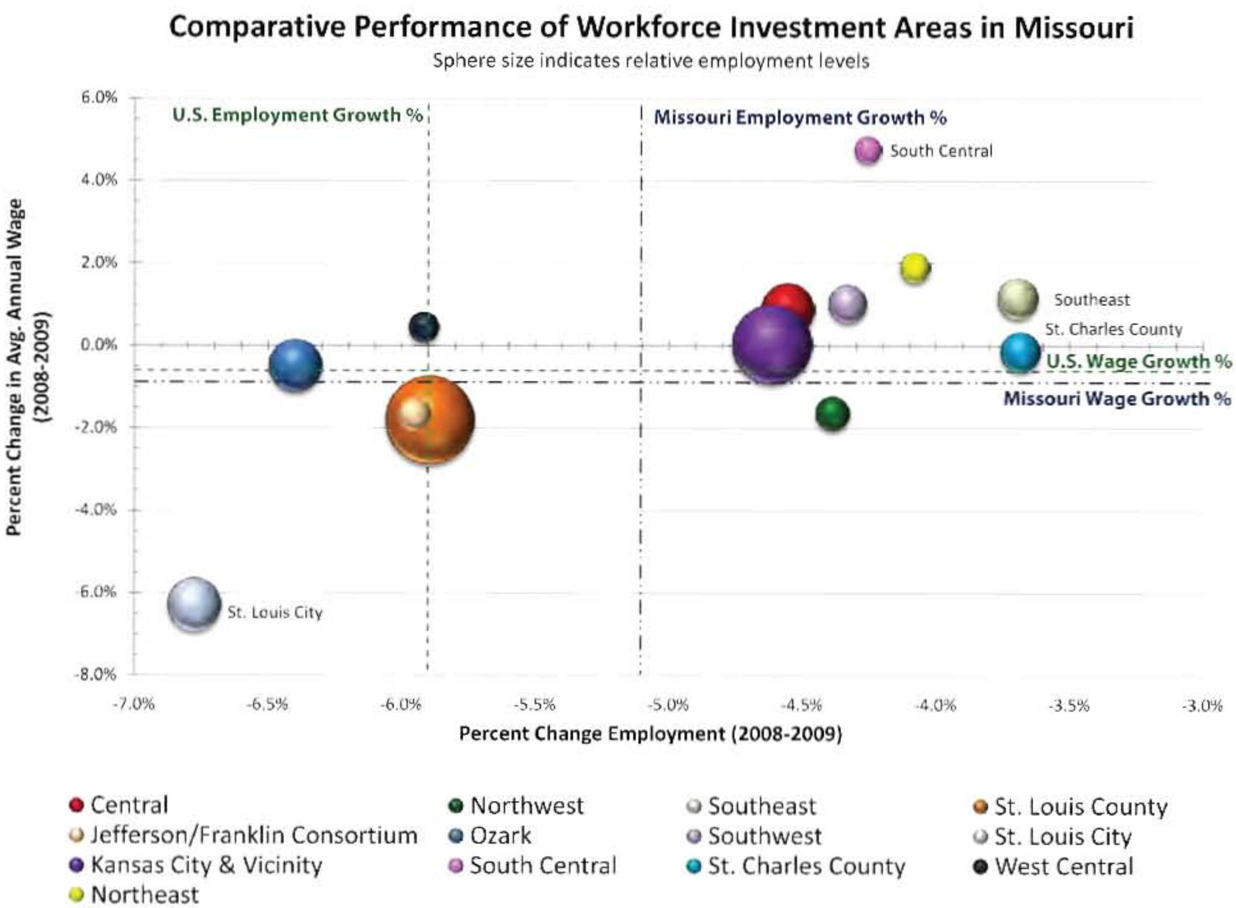
Missouri's metropolitan areas make up the largest portions of the state's economy. St. Louis County and Jackson County alone combine for nearly one-third of the state's economy in terms of employment, personal income and population. Regardless of their size, all of the regions have a role in the state's economic make-up. For example, some of Missouri's rural areas are especially important to tourism and agriculture in the state.

Regions of the state have been impacted differently during the downturn and start of recovery. Unemployment rate data for May 2010 show pockets of higher unemployment rates spread throughout the state.

Workforce Investment Area
Unemployment Rates - May 2010
Not Seasonally Adjusted

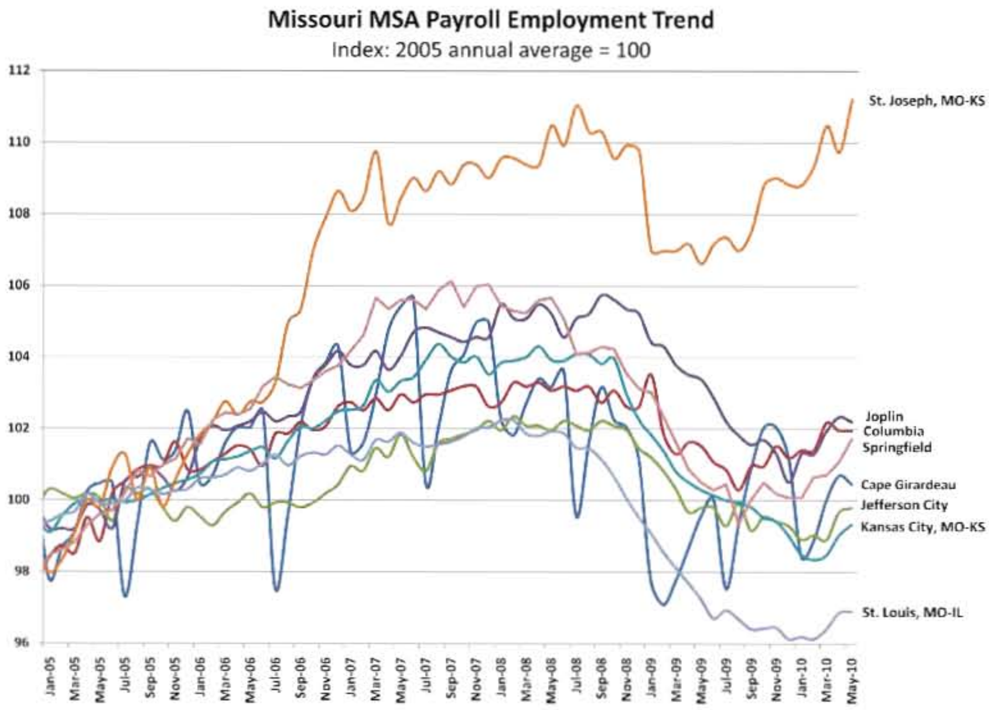


Employment data from 2008 through 2009 show that while all regions had employment declines over the year, the magnitude of decline varies, and some regions had wage growth over the year although on average wages remained negative to flat in both Missouri and the U.S. For example, the South Central WIA region, had the highest wage growth in the state over the year, while employment declines in the Southeast WIA and St. Charles County were more moderate than in other areas of the state.



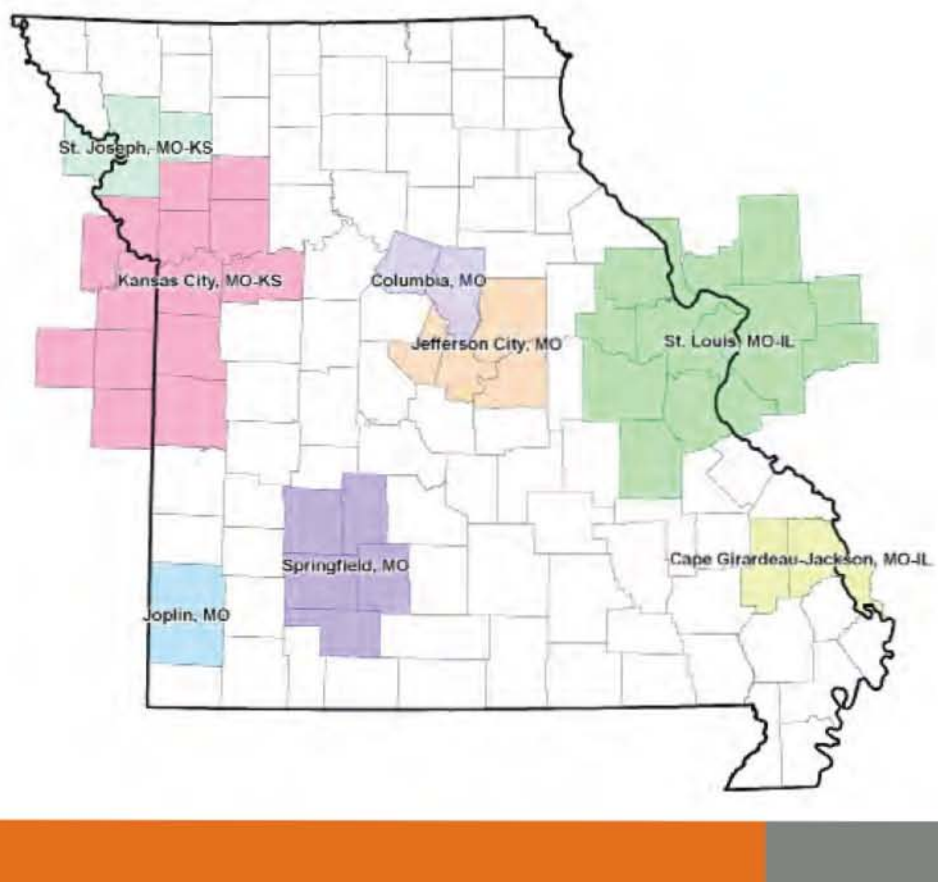
St. Louis City wage data is impacted by one-time salary payments in the region during 2008, resulting in a more pronounced decline in average wages when comparing 2009 to 2008 data.

Nonfarm payroll employment data for the state's MSAs provides a more current view of employment trends during the start of recovery. Improvements in employment over the last few months have been spread across the state's metropolitan areas and every area is trending upward since the start of 2010. The St. Joseph MO-KS has had the most rapid growth.



Data for the Cape Girardeau MSA is not seasonally adjusted.

Missouri Metropolitan Statistical Areas (MSAs)



New Business Formations by WIA Region

The recession has resulted in job losses around the state and nation. Some evidence supports that times of recession encourage entrepreneurship and new business formation, either due to necessity since there are no other jobs to be had, or from innovation and opportunity as competition may weaken and new products and services are now needed. New businesses bring industry diversity and job growth to a region and are a major engine for economic growth. While a majority of new businesses do fail, those that succeed are valuable to the state's economy. Identifying the types of new business and the regional variations of start-ups gives insight into the new business tendencies in the state.

The Missouri Economic Research and Information Center (MERIC) measures new business formations in the state by tracking newly established unemployment insurance accounts. These accounts represent newly registered non-farm businesses that have one or more employees. MERIC uses this information to gauge the number of new employing businesses by industry, county, and region.

Private household (NAICS 814) employers account for one out of every four business formations in Missouri and covers household services such as caretaking and cooking. *Food Services and Drinking Places* (NAICS 722) account for 6 percent of all business formations and is in the top three of all but one of the regional start-up lists. Traditionally private households and restaurants form the most businesses in Missouri, regardless of the area. While important, the sectors were excluded from the overview to highlight other industries that are often less known.

Top Regional Industries – St. Louis/Kansas City

The *Professional, Scientific, and Technical Services* industry was responsible for most of the formations in the Kansas City, St. Charles County, St. Louis City, and St. Louis County regions. These are businesses highly dependent on technical skills. Examples include law firms, accounting firms, architectural and engineering firms, and business consulting.

The majority of these formations were in *Offices of Lawyers* and *Computer Systems Design Services*. For each of these regions, this industry accounted for over 15 percent of the business formations[1].

Construction-related activities accounted for the the next highest number of startups in these four regions. These industries include *Specialty Trade Contractors* and *Construction of Buildings*, and were responsible for over 10 percent of the startups in each region.

Along with building construction, these establishments perform specific activities (e.g., pouring concrete, site preparation, plumbing, painting, and electrical work) involved in building construction.

Administrative and Support Services rounded out the top three for these areas. These establishments are engaged in activities that support the day-to-day operations of other organizations such as cleaning services, general management, and personnel administration. The percent of formations ranged from 7 percent in the St. Louis City region to 13 percent in the St. Charles County region. *Landscaping* and *Janitorial Services* were the two industries that accounted for most of these formations.

[1] Percentages do not include formations in *Private Households* or *Food Services and Drinking Places.*

Top Regional Industries - Rural

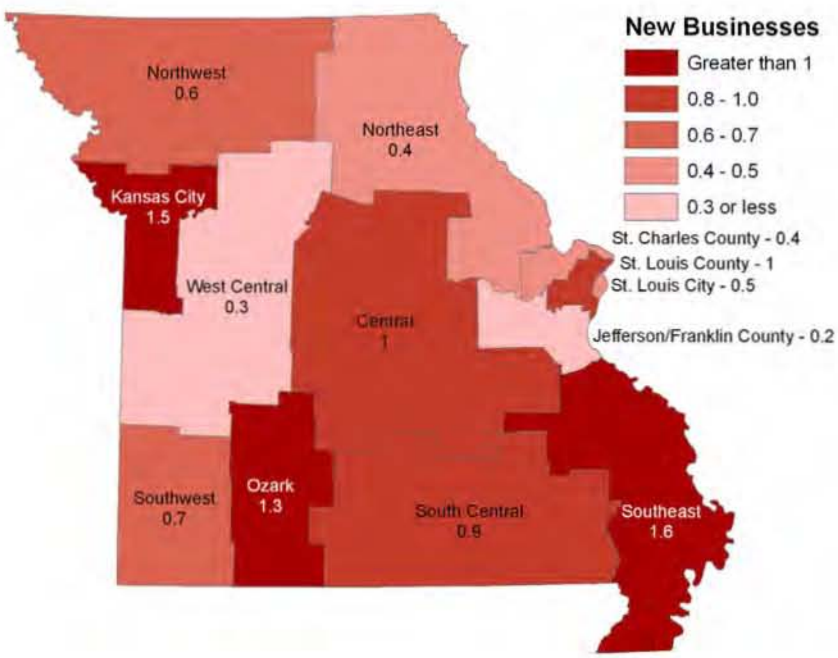
In all but one of the primarily rural regions, construction-related activities were responsible for the highest percentage of formations. The only area where this didn't lead was the South Central region, where Truck Transportation accounted for the majority of formations, followed closely by construction-related activities.

Professional, Scientific, and Technical Services played a significant role in formations for these regions as well, landing in the top three for all but three of the regions. As in the urban regions, many of these formations were in *Offices of Lawyers*.

Administrative and Support Services was responsible for a large amount of formations in six regions, primarily around urban areas. *Landscaping* and *Janitorial Services* were the two industries that accounted for most of these formations.

Total business formation tends to be highest in urban areas that have high population density. The map below shows new business starts per 1,000 people for each WIA Region in Missouri. This map is useful because it allows business growth to be standardized by population, making it possible to identify rural regions with high business growth.

New Business Formations in Missouri WIA Regions Per 1,000 Population, 2009



Top 3 Industries by Region

Central Region
Construction Activities
Professional, Scientific, and Technical Services
Administrative and Support Services

Jefferson/Franklin Region
Construction Activities
Professional, Scientific, and Technical Services
Administrative and Support Services

Northeast Region
Construction Activities
Administrative and Support Services
Repair and Maintenance

Northwest Region
Construction Activities
Truck Transportation
Administrative and Support Services

Ozark Region
Construction Activities
Administrative and Support Services
Professional, Scientific, and Technical Services

South Central Region
Truck Transportation
Construction Activities
Repair and Maintenance

Southeast Region
Construction Activities
Professional, Scientific, and Technical Services
Truck Transportation

Southwest Region
Construction Activities
Professional, Scientific, and Technical Services
Truck Transportation

West Central Region
Construction Activities
Administrative and Support Services
Truck Transportation

Kansas City Region
Professional, Scientific, and Technical Services
Construction Activities
Administrative and Support Services

St. Charles County Region
Professional, Scientific, and Technical Services
Construction Activities
Administrative and Support Services

St. Louis City Region
Professional, Scientific, and Technical Services
Construction Activities
Administrative and Support Services

St. Louis County Region
Professional, Scientific, and Technical Services
Construction Activities
Administrative and Support Services

Conclusion

The recession is probably over, but an exact date is unclear. GDP data show that economic output in the U.S. resumed growth in the 3rd quarter of last year. There have now been three quarters of GDP growth, and a substantial part of GDP that was lost during the recession has been made up. U.S. nonfarm payroll employment has been growing since bottoming out in December 2009. The Business Cycle Data Committee of the National Bureau of Economic Research has yet to declare a trough of economic activity, perhaps waiting until it is clear that the economy will not be slipping back into recession.

GDP is growing strongly, but labor market conditions are still weak. The relatively weak labor market conditions cause many to feel that the recession continues, even though data may suggest otherwise.

About two-thirds of GDP losses that occurred during the recession have already been made up. But so far, employment has grown only a little, and unemployment remains very high. With U.S. employment having dropped by more than 8 million in a two-year period and having so far regained less than 1 million of those, it seems likely that it will take a long time before pre-recession employment levels are regained. Missouri's data is similar: about 157,000 jobs were lost on balance and 26,000 so far regained. Rapid productivity growth during 2009 accounts for the divergence between GDP and employment growth. Businesses are simply able to produce more with the same or fewer employees.

The task of regaining lost jobs is complicated by the fact that various structural and other permanent changes have occurred, meaning that some jobs will not return even with improving economic conditions. Among the more visible of these permanent changes is the closing of automobile plants and the loss of corporate headquarters.

Structural changes often call for new policy and program initiatives. With permanent job losses, many in the manufacturing sectors, there is a substantial need for retraining workers for jobs with better employment prospects and the advancement of new technologies and industries so states and areas can remain competitive in an increasingly complicated global environment. New businesses will bring industry diversity and job growth to a state and are a major engine for economic growth. Recession has directly or indirectly resulted in some of the nation's most successful companies.

Although the overall outlook is optimistic, clouds remain on the horizon. European nations' debt problems, the possibility that the Gulf oil spill will extend beyond regional impacts and drag down the broader economy, and the growing concern over fiscal issues for all levels of government are among the major developments that could dampen recovery.

However, with both GDP and employment growing, this year appears to be one of economic recovery and expansion.

Data Sources (Analysis by MERIC)

Gross Domestic Product (pages 2 and 3)

Real Gross Domestic Product and Quarterly Change – U.S. Bureau of Economic Analysis
Industry Share of Missouri's Economy – U.S. Bureau of Economic Analysis

Unemployment Rate (page 4)

U.S. and Missouri Unemployment Rate – MERIC in cooperation with the U.S. Bureau of Labor Statistics

Employment (pages 5 through 8)

U.S. and Missouri Payroll Employment – MERIC in cooperation with the U.S. Bureau of Labor Statistics

Missouri Employment Change by Sector – MERIC in cooperation with the U.S. Bureau of Labor Statistics

Missouri Employment Trend in Largest Employing Sectors – U.S. Bureau of Labor Statistics

Personal Income (page 9)

Real Personal Income – U.S. Bureau of Economic Analysis

Manufacturing and Industrial Vitality (pages 10 through 12)

Industrial Production – Federal Reserve Board

U.S. and Missouri Manufacturing Employment – MERIC in cooperation with the U.S. Bureau of Labor Statistics

Purchasing Managers' Indices (Manufacturing) – Institute for Supply Management and Creighton University

Retail Trade and Taxable Sales (pages 13 and 14)

U.S. Retail Sales – U.S. Census Bureau

Year-to-Year Percentage Change in Taxable Sales – Missouri Department of Revenue

Missouri's Regional Economies (pages 15 through 19)

Workforce Investment Area Unemployment Rates – MERIC in cooperation with the U.S. Bureau of Labor Statistics

Comparative Performance of Economic Areas in Missouri – MERIC in cooperation with the U.S. Bureau of Labor Statistics

New Business Formations in Missouri WIA Regions – MERIC in cooperation with the U.S. Bureau of Labor Statistics

This report was prepared by the staff of the Missouri Department of Economic Development, Missouri Economic Research and Information Center (MERIC) to fulfill program plan requirements from the U.S. Department of Labor, Employment and Training Administration.

All data in this report was current at the time of publication in June 2010 and is subject to revision.

About the Missouri Department of Economic Development

The Department of Economic Development (DED) administers a wide array of services designed to enhance Missouri's economic growth in the 21st Century. These services focus on workers, businesses, and communities. DED is composed of agencies that administer statutory requirements and develop policy in the areas of community, economic, and workforce development, as well as the regulation of utility companies. The Missouri Division of Tourism is also housed within the agency.

DED offers direct assistance to businesses and industries; communities and regions; and individuals and organizations to promote economic development and job creation throughout the state. DED has two development divisions-Business and Community Services and Workforce Development.

For more information, visit the DED website at www.ded.mo.gov.

About the Missouri Economic Research and Information Center

The Missouri Economic Research and Information Center (MERIC) provides comprehensive analysis of Missouri's socioeconomic environment at the local, regional and state levels. To achieve this, MERIC employs a wide array of tools, which include econometric models, geographic information systems and advanced statistical methods. On-going projects at MERIC include targeted development, economic and social impact assessments, industry and occupational analyses, business intelligence, career seeker products and information on Missouri's demographic and economic trends.

Coupled with its analysis capability, MERIC maintains a comprehensive labor market database produced in cooperation with the U.S. Department of Labor. Data on employment/unemployment, wages, layoffs, labor availability and a variety of other information designed to help understand the state's labor market conditions are regularly reported.

Ultimately, MERIC's mission is to provide accurate, relevant and timely information to decision makers and the public in order to facilitate a better understanding of Missouri's socioeconomic environment.

For more information, visit the MERIC website at www.MissouriEconomy.org.

MORE WITH MERIC
TIMELY TARGETED INTELLIGENT

MISSOURI
Department of Economic Development